

S. 2557

IN THE SENATE OF THE UNITED STATES

Mr. _____
introduced the following bill; which was read twice and _____

A BILL

To Protect the Energy Security of the United States and Decrease America's Dependency on Foreign Oil Sources to 50% by the Year 2010 by Enhancing the Use of Renewable Energy Resources, Conserving Energy Resources, Improving Energy Efficiencies, and Increasing Domestic Energy Supplies, Mitigating the Effect of Increases in Energy Prices on the American Consumer, including the Poor and the Elderly, and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

SECTION 1.

SHORT TITLE.

This Act may be cited as the "National Energy Security Act of 2000".

SEC. 2. FINDINGS AND PURPOSES.

(a) FINDINGS.—The Congress finds that—

(1) Increasing dependence on foreign sources of oil causes systemic harm to all sectors of the domestic United States economy, threatens national security, undermines the ability of federal, state, and local units of government to provide essential services, and jeopardizes the peace, security, and welfare of the American people;

(2) dependence on imports of foreign oil was 46% in 1992, but has risen to more than 55% by the beginning of 2000, and is estimated by the Department of Energy to rise to 65% by 2020 unless current policies are altered;

(3) at the same time, despite increased energy efficiencies, energy use in the United States is expected to increase 27% by 2020;

(4) the United States lacks a comprehensive national energy policy and has taken actions that limit the availability and capability of the domestic energy sources of oil and gas, coal, nuclear and hydro;

(5) a comprehensive energy strategy needs to be developed to combat this trend, decrease the United State's dependence on imported oil supplies and strengthen our national energy security;

(6) the goal of this comprehensive strategy must be to decrease the United State's dependence on foreign oil supplies to not more than 50% by the year 2010;

(7) in order to meet this goal, this comprehensive energy strategy needs to be multi-faceted and include enhancing the use of renewable energy resources (including hydro, nuclear, solar, wind, and biomass), conserving energy resources (including improving energy efficiencies), and increasing domestic supplies of nonrenewable resources (including oil, natural gas, and coal);

(8) however, conservation efforts and alternative fuels alone will not enable America to meet this goal as conventional energy sources supply 96% of America's power at this time;

(9) immediate actions also need to be taken in order to mitigate the effect of recent increases in oil prices on the American consumer, including the poor and the elderly.

(b)

PURPOSES.—The purposes of this Act are to protect the energy security of the United States by decreasing America's dependency of foreign oil sources to not more than 50% by the Year 2010 by enhancing the use of renewable energy resources, conserving energy resources (including improving energy efficiencies), and increasing domestic energy supplies and to mitigate the immediate effect of increases in energy prices on the American consumer, including the poor and the elderly.

TITLE I—ENERGY SECURITY ACTIONS REQUIRED OF THE SECRETARY OF ENERGY

SEC. 101. ANNUAL REPORT ON UNITED STATES ENERGY INDEPENDENCE.

(a) REPORT.—Beginning on October 1, 2000, and annually thereafter, the Secretary of Energy, in consultation with the Secretary of Defense and the heads of other Federal agencies, shall submit a report to the President and the Congress which evaluates the progress the United States has made toward obtaining the goal of not more than 50% dependence on foreign oil sources by 2010. The Secretary shall adopt as interim goals, a reduction in dependence on oil imports to not more than 54% by 2005 and 52% by 2008.

(b) **ALTERNATIVES.**—The report shall specify what specific legislative or administrative actions must be implemented to meet this goal and set forth a range of options and alternatives with a benefit/cost analysis for each option or alternative together with an estimate for the contribution that each option or alternative could make to reduce foreign oil imports. The report shall indicate, in detail, options and alternatives (1) to increase the use of renewable domestic energy sources, including conventional and non-conventional sources such as, but not limited to, increased hydroelectric generation at existing federal facilities, (2) to conserve energy resources, including improving efficiencies and decreasing consumption, and (3) to increase domestic production and use of oil, natural gas, and coal, including any actions that would need to be implemented to provide access to, and transportation of, these energy resources.

(c) **REFINERY CAPACITY.**—As part of the reports submitted in 2000, 2005, and 2008, the Secretary shall examine and report on the condition of the domestic refinery industry and the extent of domestic storage capacity for various categories of petroleum products and make such recommendations as he believes will enhance domestic capabilities to respond to short-term shortages of various fuels due to climate or supply interruptions.

SEC. 102.

REPORT OF THE NATIONAL PETROLEUM COUNCIL.

The Secretary of Energy shall immediately review the report of the National Petroleum Council submitted to him on December 15, 1999 and shall submit such report, together with any recommendations for administrative or legislative actions, to the President no later than June 15, 2000.

SEC. 103.

INTERAGENCY WORK GROUP ON NATURAL GAS.

(a) **INTERAGENCY WORK GROUP.**—The Secretary of Energy shall establish an Interagency Work Group on Natural Gas (referred to as “Group” in this subsection) within the National Economic Council. The Group shall include representatives from each federal agency that has a significant role in the development and implementation of natural gas policy, resource assessment, or technologies for natural gas exploration, production, transportation, and use.

(b) **STRATEGY AND COMPREHENSIVE POLICY.**—The Group shall develop a strategy and comprehensive policy for the use of natural gas as an essential component of overall national objectives of energy security, economic growth, and environmental protection. In developing the strategy and policy,

the Group shall solicit and consider suggestions from States and local units of government, industry, and other non-federal groups, organizations, or individuals possessing information or expertise in one or more areas under review by the Group. The policy shall recognize the significant lead times required for the development of additional natural gas supplies and the delivery infrastructure required to transport those supplies. The Group shall consider, but is not limited to, issues of access to and development of resources, transportation, technology development, environmental regulation and the associated economic and environmental costs of alternatives, education of future workforce, financial incentives related to exploration, production, transportation, development and use of natural gas.

(c) **REPORT.**—The Group shall prepare a report setting forth its recommendations on a comprehensive policy for the use of natural gas and the specific elements of a national strategy to achieve the objectives of the policy. The report shall be transmitted to the Secretary of Energy within six months from the date of enactment of this Act.

(d) **SECRETARY REVIEW.**—The Secretary of Energy shall review the report and, within 3 months, submit the report, together with any recommendations for administrative or legislative actions, to the President and the Congress.

(e) **TRENDS.**—The Group shall monitor trends for the assumptions used in developing its report, including the specific elements of a national strategy to achieve the objectives of the comprehensive policy and shall advise the Secretary whenever it anticipates changes that might require alterations in the strategy.

(f) **PROGRESS REPORT.**—On June 1, 2002, and every two years thereafter, the Group shall submit a report to the President and the Congress evaluating the progress that has been made in the prior two years in implementing the strategy and accomplishing the objectives of the comprehensive policy.

TITLE II—AMENDMENTS TO ENERGY POLICY AND CONSERVATION ACT AND ACTIONS AFFECTING THE STRATEGIC PETROLEUM RESERVE

SEC. 201.

AMENDMENTS TO TITLE I OF EPCA.

Title I of the Energy Policy and Conservation Act (42 U.S.C. 6211-6251) is amended—

(a)

In section 161(h) (42 U.S.C. 6241), by—

(1)

striking “and” at the end of (1)(A),

(2) striking “,” and inserting “; and” at the end of (1)(B), and

(3) inserting after paragraph (B) the following new paragraph:

“(C) concurs in the determination of the Secretary of Defense that action taken under this subsection will not impair national security.”

(4) striking “Reserve” and inserting “Reserve, if the Secretary finds that action taken under this subsection will not have an adverse effect on the domestic petroleum industry.” at the end of (1).

(b) In section 166 (42 U.S.C. 6246), by striking “March 31, 2000” and inserting “December 31, 2003.”

(c) In section 181 (42 U.S.C. 6251), by striking “March 31, 2000” each place it appears and inserting “December 31, 2003”.

SEC. 202.

AMENDMENTS TO TITLE II OF EPCA.

Title II of the Energy Policy and Conservation Act (42 U.S.C. 6261-6285) is amended—

(a)

In section 256(h) (42 U.S.C. 6276(h)), by inserting “through 2003” after “1997”.

(b) In section 281 (42 U.S.C. 6285), by striking ‘March 31, 2000’ each place it appears and inserting “December 31, 2003”.

SEC. 203. STRATEGIC PETROLEUM RESERVE STUDY AND REPORT.

The President shall immediately establish an Interagency Panel on the Strategic Petroleum Study (referred to as the “Panel” in this section) to study oil markets and estimate the extent and frequency of fluctuations in the supply and price of, and demand for crude oil in the future and determine appropriate capacity of and uses for the Strategic Petroleum Reserve. The Panel may recommend changes in existing authorities to provide additional flexibility for and strengthen the ability of the Strategic Petroleum Reserve to respond to energy requirements. The Panel shall complete its study and submit a report containing its findings and any recommendations to the President and the Congress within six months from the date of enactment of this Act.

TITLE III—PROVISIONS TO PROTECT CONSUMERS AND LOW INCOME FAMILIES AND ENCOURAGE ENERGY EFFICIENCIES.

SEC. 301. CHANGES IN WEATHERIZATION PROGRAM TO PROTECT LOW-INCOME PER-

SONS.

(a) The matter under the heading “ENERGY CONSERVATION (INCLUDING TRANSFER OF FUNDS)” in title II of the Department of the Interior and Related Agencies Appropriations Act, 2000 (113 Stat.1535, 1501A-180), is amended by striking “grants:” and all that follows and inserting “grants.”.

(b) Section 415 of the Energy Conservation and Production Act (42 U.S.C. 6865) is amended–

(1)

in subsection (a)(1) by striking the first sentence;

(2) in subsection (a)(2) by–

(A)

striking “(A)”,

(B) striking “approve a State’s application to waive the 40 percent requirement established in paragraph (1) if the State includes in its plan” and inserting “establish”, and

(C)

striking subparagraph (B);

(3)

in subsection (c)(1) by–

(A) striking “paragraphs (3) and (4)” and inserting “paragraph (3)”,

(B)

striking “\$1600” and inserting “\$2500”,

(C) striking “and” at the end of sub paragraph (C),

(D) striking the period and inserting “,and” in subparagraph (D), and

(E) inserting after subparagraph (D) the following new subparagraph:

“(E) the cost of making heating and cooling modifications, including replacement”;

(4)

in subsection (c)(3) by–

(A) striking “1991, the \$1600 per dwelling unit limitation” and inserting “2000, the \$2500 per dwelling unit average”,

(B) striking “limitation” and inserting “average” each time it appears, and

(C) inserting “the” after “beginning of” in subparagraph (B); and

(5) by striking subsection (c)(4).

SEC. 302. SUMMER FILL AND FUEL BUDGETING PROGRAMS.

(a) Part C of title II of the Energy Policy and Conservation Act (42 U.S.C. 6211 et seq.) is amended by adding at the end the following:

“SEC. 273. SUMMER FILL AND FUEL BUDGETING PROGRAMS.

“(a)

DEFINITIONS.—In this section:

“(1) BUDGET CONTRACT.—The term ‘budget contract’ means a contract between a retailer and a consumer under which the heating expenses of the consumer are spread evenly over a period of months.

“(2) FIXED-PRICE CONTRACT.—The term ‘fixed-price contract’ means a contract between a retailer and a consumer under which the retailer charges the consumer a set price for propane, kerosene, or heating oil without regard to market price fluctuations.

“(3) PRICE CAP CONTRACT.—The term ‘price cap contract’ means a contract between a retailer and a consumer under which the retailer charges the consumer the market price for propane, kerosene, or heating oil, but the cost of the propane, kerosene, or heating oil may not exceed a maximum amount stated in the contract.

“(b) ASSISTANCE.—At the request of the chief executive officer of a State, the Secretary shall provide information, technical assistance, and funding—

“(1) to develop education and outreach programs to encourage consumers to fill their storage facilities for propane, kerosene, and heating oil during the summer months; and

“(2) to promote the use of budget contracts, price cap contracts, fixed-price contracts, and other advantageous financial arrangements;

to avoid severe seasonal price increases for and supply shortages of those products.

“(c) PREFERENCE.—In implementing this section, the Secretary shall give preference to States that contribute public funds or leverage private funds to develop State summer fill and fuel budgeting programs.

“(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section—

“(1)

\$25,000,000 for fiscal year 2001; and

“(2) such sums as are necessary for each fiscal year thereafter.

“(e) INAPPLICABILITY OF EXPIRATION PROVISION.—Section 281 does not apply to this section.”.

(b) The table of contents in the first section of the Energy Policy and Conservation Act (42 U.S.C. prec. 6201) is amended by inserting after the item relating to section 272 the following:

“Sec. 273. Summer fill and fuel budgeting programs.”.

SEC. 303.

ENERGY EFFICIENCY SCIENCE INITIATIVE.

There are authorized to be appropriated \$25,000,000 for fiscal year 2001 and such sums as are necessary for each fiscal year thereafter be for an Energy Efficiency Science Initiative to be managed by the Assistant Secretary for Energy Efficiency and Renewable Energy in consultation with the Director of the Office of Science, for grants to be competitively awarded and subject to peer review for research relating to energy efficiency. The Secretary of Energy shall submit to the Committee on Science and the Committee on Appropriations of the House of Representatives, and to the Committee on Energy and Natural Resources and the Committee on Appropriations of the Senate, an annual report on the activities of the Energy Efficiency Science Initiative, including a description of the process used to award the funds and an explanation of how the research relates to energy efficiency.

SEC. 304.

NORTHEAST HOME HEATING OIL RESERVE.

(a) AMENDMENT.—Title I of the Energy Policy and Conservation Act is amended by—

(1)

redesignating part D as part E;

(2) redesignating section 181 as section 191; and

(3) inserting after part C the following new part D—

“Part D—

Northeast Home Heating Oil Reserve

“ESTABLISHMENT

“SEC. 181. (a) Notwithstanding any other provision of this Act, the Secre-

tary may establish, maintain, and operate in the Northeast a Northeast Home Heating Oil Reserve. A Reserve established under this part is not a component of the Strategic Petroleum Reserve established under part B of this title. A Reserve established under this part shall contain no more than 2 million barrels of petroleum distillate.

“(b)

For the purposes of this part—

“(1) the term ‘Northeast’ means the States of Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, Pennsylvania, and New Jersey; and

“(2)

the term ‘petroleum distillate’ includes heating oil and diesel fuel.

“AUTHORITY

“SEC. 182. To the extent necessary or appropriate to carry out this part, the Secretary may—

“(1) purchase, contract for, lease, or otherwise acquire, in whole or in part, storage and related facilities, and storage services;

“(2) use, lease, maintain, sell, or otherwise dispose of storage and related facilities acquired under this part;

“(3) acquire by purchase, exchange (including exchange of petroleum product from the Strategic Petroleum Reserve or received as royalty from Federal lands), lease, or otherwise, petroleum distillate for storage in the Northeast Home Heating Oil Reserve;

“(4)

store petroleum distillate in facilities not owned by the United States;

“(5) sell, exchange, or otherwise dispose of petroleum distillate from the Reserve established under this part; and

“(6) notwithstanding paragraph (5), on terms the Secretary considers reasonable, sell, exchange, or otherwise dispose of petroleum distillate from the Reserve established under this part in order to maintain the quality or quantity of the petroleum distillate in the Reserve or to maintain the operational capability of the Reserve.

“CONDITIONS FOR RELEASE; PLAN

“SEC. 183. (a) The Secretary may release petroleum distillate from the Reserve under section 182(5) only in the event of–

“(1)

a severe energy supply disruption;

“(2) a severe price increase; or

“(3) another emergency affecting the Northeast,

which the President determines to merit a release from the Reserve.

“(b) Within 45 days of the date of the enactment of this section, the Secretary shall transmit to the President and, if the President approves, to the Congress a plan describing–

“(1) the acquisition of storage and related facilities or storage services for the Reserve;

“(2)

the acquisition of petroleum distillate for storage in the Reserve;

“(3) the anticipated methods of disposition of petroleum distillate from the Reserve; and

“(4) the estimated costs of establishment, maintenance, and operation of the Reserve.

The storage of petroleum distillate in a storage facility that meets existing environmental requirements is not a ‘major Federal action significantly affecting the quality of the human environment’ as that term is used in section 102(2)(C) of the National Environmental Policy Act of 1969.

“NORTHEAST HOME HEATING OIL RESERVE ACCOUNT

“SEC. 184. (a) Upon a decision of the Secretary of Energy to establish a Reserve under this part, the Secretary of the Treasury shall establish in the Treasury of the United States an account know as the ‘North-east Home Heating Oil Reserve Account’ (referred to in this section as the ‘Account’).

“(b) The Secretary of the Treasury shall deposit in the Account any amounts appropriated to the Account and any receipts from the sale, exchange, or other disposition of petroleum distillate from the Reserve.

“(c) The Secretary of Energy may obligate amounts in the Account to carry out activities under this part without the need for further appropriation, and amounts available to the Secretary of Energy for obligation under this section shall remain available without fiscal year limitation.

“EXEMPTIONS

“SEC. 185. An action taken under this part—

“(1) is not subject to the rulemaking requirements of section 523 of this Act, section 501 of the Department of Energy Organization Act, or section 553 of title 5, United States Code; and

“(2) is not subject to laws governing the Federal procurement of goods and services, including the Federal Property and Administrative Services Act of 1949 (including the Competition in Contracting Act) and the Small Business Act.”.

(b) AUTHORIZATION OF APPROPRIATIONS.—

There are authorized to be appropriated such sums as may be necessary to carry out part D of title I of the Energy Policy and Conservation Act.

TITLE IV—PROVISIONS TO ENHANCE THE USE OF DOMESTIC ENERGY RESOURCES

SUBTITLE A—HYDROELECTRIC RESOURCES

SEC. 401. USE OF FEDERAL FACILITIES.

(a) The Secretary of the Interior and the Secretary of the Army shall each inventory all dams, impoundments, and other facilities under their jurisdiction.

(b) Based on this inventory and other information, the Secretary of the Interior and Secretary of Army shall each submit a report to the Congress within six months from the date of enactment of this Act. Each report shall—

(1) Describe, in detail, each facility that is capable, with or without modification, of producing additional hydroelectric power. For each such facility, the report shall state the full potential for the facility to generate hydroelectric power, whether the facility is currently generating hydroelectric power, and the costs to install, upgrade, modify, or take other actions to increase the hydroelectric generating capability of the facility. For each facility that currently has hydroelectric generating equipment, the report shall indicate the condition of such equipment, the maintenance requirements, and the schedule for any improvements as well as the purposes for which power is generated.

(2) Describe what actions are planned and underway to increase the hydroelectric production from facilities under his jurisdiction and shall include any recommendations the Secretary deems advisable to increase such production, reduce costs, and improve efficiency at federal facilities, including, but not limited to, use of lease of power privilege and contracting with non-federal entities for operation and maintenance.

SEC. 402. EXPEDITED FERC HYDROELECTRIC LICENSING PROCEDURES.

The Federal Energy Regulatory Commission shall immediately undertake a comprehensive review of policies, procedures and regulations for the licensing of hydroelectric projects to determine how to reduce the cost and time of obtaining a license. The Commission shall report its findings within six months of the date of enactment to the Congress, including any recommendations for legislative changes.

SUBTITLE B—NUCLEAR RESOURCES

SEC. 410. NUCLEAR GENERATION.

The Chairman of the Nuclear Regulatory Commission shall submit a report to the Congress within six months from the date of enactment of this Act on the state of nuclear power generation and production in the United States and the potential for increasing nuclear generating capacity and production as part of this nation's energy mix. The report shall also review the status of the relicensing process for civilian nuclear power plants, including current and anticipated applications, and recommendations for improvements in the process, including, but not limited to recommendations for expediting the process and ensuring that relicensing is accomplished in a timely manner.

SEC. 411.

NRC HEARING PROCEDURE.

Section 189 a.(1) of the Atomic Energy Act of 1954 (42 U.S.C. 2239(a)(1)) is amended by added at the end the following—

“(C) HEARINGS.—A hearing under this section shall be conducted using informal adjudicatory procedures established under sections 553 and 555 of title 5, United States Code, unless the Commission determines that formal adjudicatory procedures are necessary—

“(i)

to develop a sufficient record; or

“(ii) to achieve fairness.”.

SUBTITLE C—DEVELOPMENT OF A NATIONAL SPENT NUCLEAR FUEL STRATEGY

SEC. 415. FINDINGS.

(1) Prior to permanent closure of the geologic repository in Yucca Mountain, Congress must determine whether the spent fuel in the repository should be treated as

waste subject to permanent burial or should be considered an energy resource that is needed to meet future energy requirements;

(2) Future use of nuclear energy may require construction of a second geologic repository unless Yucca Mountain can safely accommodate additional spent fuel. Improved spent fuel strategies may increase the capacity of Yucca Mountain.

(3) Prior to construction of any second permanent geologic repository, the nation's current plans for permanent burial of spent fuel should be re-evaluated.

SEC. 416. OFFICE OF SPENT NUCLEAR FUEL RESEARCH.

(a) ESTABLISHMENT.—There is hereby established an Office of Spent Nuclear Fuel Research (referred to as the “Office” in this section) within the Office of Nuclear Energy Science and Technology of the Department of Energy. The Office shall be headed by the Associate Director, who shall be a member of the Senior Executive Service appointed by the Director of the Office of Nuclear Energy Science and Technology, and compensated at a rate determined by applicable law.

(b) ASSOCIATE DIRECTOR.—The Associate Director of the Office of Spent Nuclear Fuel Research shall be responsible for carrying out an integrated research, development, and demonstration program on technologies for treatment, recycling, and disposal of high-level nuclear radioactive waste and spent nuclear fuel, subject to the general supervision of the Secretary. The Associate Director of the Office shall report to the Director of the Office of Nuclear Energy Science and Technology. The first such Associate Director shall be appointed within 90 days of the enactment of the this Act.

(c) GRANT AND CONTRACT AUTHORITY.—In carrying out his responsibilities under this Section, the Secretary may make grants, or enter into contracts, for the purposes of the research projects and activities described in (d)(2).

(d)(1) DUTIES.—The Associate Director of the Office shall involve national laboratories, universities, the commercial nuclear industry, and other organizations to investigate technologies for the treatment, recycling, and disposal of spent nuclear fuel and high-level radioactive waste.

The Associate Director of the Office shall:

(A)

develop a research plan to provide recommendations by 2015;

(B) identify technologies for the treatment, recycling, and disposal of spent nuclear fuel and high-level radioactive waste;

(C) conduct research and development activities on such technologies;

(D) ensure that all activities include as key objectives minimization of proliferation concerns and risk to health of the general public or site workers, as well as development of cost-effective technologies;

(E) require research on both reactor- and accelerator-based transmutation systems;

(F)

require research on advanced processing and separations;

(G) encourage that research efforts include participation of international collaborators;

(H) be authorized to fund international collaborators when they bring unique capabilities not available in the United States and their host country is unable to provide for their support;

(I) ensure that research efforts with the Office are coordinated with research on advanced fuel cycles and reactors conducted within the Office of Nuclear Energy Science and Technology.

(e) REPORT.—The Associate Director of the Office of Spent Nuclear Fuel Research shall annually prepare and submit a report to the Congress on the activities and expenditures of the Office, including the progress that has been made to achieve the objectives of paragraph (b).

SUBTITLE D—COAL RESOURCES

SEC. 420.

COAL GENERATING CAPACITY.

The Secretary of Energy shall examine existing coal-fired power plants and submit a report to the Congress within six months from the enactment of this Act on the potential of such plants for increased generation

and any impediments to achieving such increase. The report shall describe, in detail, options for improving the efficiency of these plants. The report shall include recommendations for a program of research, development, demonstration and commercial application to develop economically and environmentally acceptable advanced technologies for current electricity generation facilities using coal as the primary feedstock, including commercial-scale applications of advanced clean coal technologies. The report shall also include an assessment of the costs to develop and demonstrate such technologies and the time required to undertake such development and demonstration.

SEC. 425.

COAL LIQUIFICATION.

The Secretary of Energy shall provide grants for the refinement and demonstration of new technologies for the conversion of coal to liquids. Such grants shall be for the design and construction of an indirect liquefaction plant capable of production in commercial quantities. There are authorized to be appropriated for the purpose of this section such sums as may be necessary through fiscal year 2004.

TITLE V—ARCTIC COASTAL PLAIN DOMESTIC ENERGY SECURITY ACT OF 2000

SEC. 501.

SHORT TITLE.

This title may be cited as the “Arctic Coastal Plain Domestic Energy Security Act of 2000”.

SEC. 502.

DEFINITIONS.

When used in this title the term—

(1) “Coastal Plain” means that area identified as such in the map entitled “Arctic National Wildlife Refuge”, dated August 1980, as referenced in section 1002(b) of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3142(b)(1)) comprising approximately 1,549,000 acres; and

(2) “Secretary”, except as otherwise provided, means the Secretary of the Interior or the Secretary’s designee.

SEC. 503.

LEASING PROGRAM FOR LANDS WITHIN THE COASTAL PLAIN.

(a)

AUTHORIZATION.—The Congress hereby authorizes and directs the Secretary, acting through the Bureau of Land Management in consultation with the Fish and Wildlife Service and other appropriate Federal offices and agencies, to take such actions as are necessary to establish and implement a competitive oil and gas leasing program that will result in an environmentally sound program for the exploration, development, and production of the oil and gas resources of the Coastal Plain and to administer the provisions of this title through regulations, lease terms, conditions, restrictions, prohibitions, stipulations and other provisions that ensure the oil and gas exploration, development, and production activities on the Coastal Plain will result in no significant adverse effect on fish and wildlife, their habitat, subsistence resources, and the environment, and shall require the application of the best commercially available technology for oil and gas exploration, development, and production, on all new exploration, development, and production operations, and whenever practicable, on existing operations, and in a manner to ensure the receipt of fair market value by the public for the mineral resources to be leased.

(b) REPEAL.—The prohibitions and limitations contained in section 1003 of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3143) are hereby repealed.

(c) COMPATIBILITY.—Congress hereby determines that the oil and gas leasing program and activities authorized by this section in the Coastal Plain are compatible with the purposes for which the Arctic National Wildlife Refuge was established, and that no further findings or decisions are required to implement this determination.

(d) SOLE AUTHORITY.—This title shall be the sole authority for leasing on the Coastal Plain: *Provided*, That nothing in this title shall be deemed to expand or limit State and local regulatory authority.

(e) FEDERAL LAND.—The Coastal Plain shall be considered “Federal land” for the purposes of the Federal Oil and Gas Royalty Management Act of 1982 .

(f) SPECIAL AREAS.—The Secretary, after consultation with the State of Alaska, City of Kaktovik, and the North Slope Borough, is authorized to designate up to a total of 45,000 acres of the Coastal Plain as Special Areas and close such areas to leasing if the Secretary determines that these Special Areas are of such unique character and interest so as to require special management and regulatory protection. The Secretary may, however, permit leasing of all or portions of any Special Areas within the Coastal Plain by setting lease terms that limit or condition surface use and occupancy by lessees of such lands but permit the use of horizontal drilling technology from sites on leases located

outside the designated Special Areas.

(g) **LIMITATION ON CLOSED AREAS.**—The Secretary’s sole authority to close lands within the Coastal Plain to oil and gas leasing and to exploration, development, and production is that set forth in this title.

(h) **CONVEYANCE.**—In order to maximize Federal revenues by removing clouds on title of lands and clarifying land ownership patterns within the Coastal Plain, the Secretary, notwithstanding the provisions of section 1302(h)(2) of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3192(h)(2)), is authorized and directed to convey (1) to the Kaktovik Inupiat Corporation the surface estate of the lands described in paragraph 2 of Public Land Order 6959, to the extent necessary to fulfill the Corporation’s entitlement under section 12 of the Alaska Native Claims Settlement Act (43 U.S.C. 1611), and (2) to the Arctic Slope Regional Corporation the subsurface estate beneath such surface estate pursuant to the August 9, 1983, agreement between the Arctic Slope Regional Corporation and the United States of America.

SEC. 504.

RULES AND REGULATIONS.

(a) **PROMULGATION.**—The Secretary shall prescribe such rules and regulations as may be necessary to carry out the purposes and provisions of this title, including rules and regulations relating to protection of the fish and wildlife, their habitat, subsistence resources, and the environment of the Coastal Plain. Such rules and regulations shall be promulgated no later than fourteen months after the date of enactment of this title and shall, as of their effective date, apply to all operations conducted under a lease issued or maintained under the provisions of this title and all operations on the Coastal Plain related to the leasing, exploration, development and production of oil and gas.

(b) **REVISION OF REGULATIONS.**—The Secretary shall periodically review and, if appropriate, revise the rules and regulations issued under subsection (a) of this section to reflect any significant biological, environmental, or engineering data which come to the Secretary’s attention.

SEC. 505. ADEQUACY OF THE DEPARTMENT OF THE INTERIOR’S LEGISLATIVE ENVIRONMENTAL IMPACT STATEMENT.

The “Final Legislative Environmental Impact Statement”(April 1987) on the Coastal Plain

prepared pursuant to section 1002 of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3142) and section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)) is hereby found by the Congress to be adequate to satisfy the legal and procedural requirements of the National Environmental Policy Act of 1969 with respect to actions authorized to be taken by the Secretary to develop and promulgate the regulations for the establishment of the leasing program authorized by this title, to conduct the first lease sale and any subsequent lease sale authorized by this title, and to grant rights-of-way and easements to carry out the purposes of this title.

SEC. 506.

LEASE SALES.

- (a) **LEASE SALES.**—Lands may be leased pursuant to the provisions of this title to any person qualified to obtain a lease for deposits of oil and gas under the Mineral Leasing Act, as amended (30 U.S.C. 181).
- (b) **PROCEDURES.**—The Secretary shall, by regulation, establish procedures for—
- (1) receipt and consideration of sealed nominations for any area in the Coastal Plain for inclusion in, or exclusion (as provided in subsection (c)) from, a lease sale; and
- (2) public notice of and comment on designation of areas to be included in, or excluded from, a lease sale.
- (c) **LEASE SALES ON COASTAL PLAIN.**—The Secretary shall, by regulation, provide for lease sales of lands on the Coastal Plain. When lease sales are to be held, they shall occur after the nomination process provided for in subsection (b) of this section. For the first lease sale, the Secretary shall offer for lease those acres receiving the greatest number of nominations, but no less than two hundred thousand acres and no more than three hundred thousand acres shall be offered. If the total acreage nominated is less than two hundred thousand acres, the Secretary shall include in such sale any other acreage which he believes has the highest resource potential, but in no event shall more than three hundred thousand acres of the Coastal Plain be offered in such sale. With respect to subsequent lease sales, the Secretary shall offer for lease no less than two hundred thousand acres of the Coastal Plain. The initial lease sale shall be held within twenty months of the date of enactment of this title. The second lease sale shall be held no later than twenty-four months after the initial sale, with additional sales conducted no later than twelve months thereafter so long as sufficient interest in development exists to warrant, in the Secretary's judgment, the conduct of such sales.

SEC. 507.

GRANT OF LEASES BY THE SECRETARY.

(a) **IN GENERAL.**—The Secretary is authorized to grant to the highest responsible qualified bidder by sealed competitive cash bonus bid any lands to be leased on the Coastal Plain upon payment by the lessee of such bonus as may be accepted by the Secretary and of such royalty as may be fixed in the lease, which shall be not less than 12 per centum in amount or value of the production removed or sold from the lease.

(b) **ANTITRUST REVIEW.**—Following each notice of a proposed lease sale and before the acceptance of bids and the issuance of leases based on such bids, the Secretary shall allow the Attorney General, in consultation with the Federal Trade Commission, thirty days to perform an antitrust review of the results of such lease sale on the likely effects the issuance of such leases would have on competition and the Attorney General shall advise the Secretary with respect to such review, including any recommendation for the nonacceptance of any bid or the imposition of terms or conditions on any lease, as may be appropriate to prevent any situation inconsistent with the antitrust laws.

(c) **SUBSEQUENT TRANSFERS.**—No lease issued under this title may be sold, exchanged, assigned, sublet, or otherwise transferred except with the approval of the Secretary. Prior to any such approval the Secretary shall consult with, and give due consideration to the views of, the Attorney General.

(d) **IMMUNITY.**—Nothing in this title shall be deemed to convey to any person, association, corporation, or other business organization immunity from civil or criminal liability, or to create defenses to actions, under any antitrust law.

(e)

DEFINITIONS.—As used in this section, the term—

(1) “antitrust review” shall be deemed an “antitrust investigation” for the purposes of the Antitrust Civil Process Act (15 U.S.C. 1311); and

(2) “antitrust laws” means those Acts set forth in section 1 of the Clayton Act (15 U.S.C. 12) as amended.

SEC. 508.

LEASE TERMS AND CONDITIONS.

An oil or gas lease issued pursuant to this title shall—

(1) be for a tract consisting of a compact area not to exceed five thousand seven hundred sixty acres, or nine surveyed or protracted sections which shall be as compact in form as possible;

(2) be for an initial period of ten years and shall be extended for so long thereafter as oil or gas is produced in paying quantities from the lease or unit area to which the lease is committed or for so long as drilling or reworking operations, as approved by the Secretary, are conducted on the lease or unit area;

(3) require the payment of royalty as provided for in section 507 of this title;

(4) require that exploration activities pursuant to any lease issued or maintained under this title shall be conducted in accordance with an exploration plan or a revision of such plan approved by the Secretary;

(5) require that all development and production pursuant to a lease issued or maintained pursuant to this title shall be conducted in accordance with development and production plans approved by the Secretary;

(6)

require posting of bond as required by section 509 of this title;

(7) provide that the Secretary may close, on a seasonal basis, portions of the Coastal Plain to exploratory drilling activities as necessary to protect caribou calving areas and other species of fish and wildlife;

(8) contain such provisions relating to rental and other fees as the Secretary may prescribe at the time of offering the area for lease;

(9) provide that the Secretary may direct or assent to the suspension of operations and production under any lease granted under the terms of this title in the interest of conservation of the resource or where there is no available system to transport the resource. If such a suspension is directed or assented to by the Secretary, any payment of rental prescribed by such lease shall be suspended during such period of suspension of operations and production, and the term of the lease shall be extended by adding any such suspension period thereto;

(10) provide that whenever the owner of a nonproducing lease fails to comply with any of the provisions of this Act, or of any applicable provision of Federal or State environmental law, or of the lease, or of any regulation issued under this title, such lease may be canceled by the Secretary if such default continues for more than thirty days after mailing of notice by registered letter to the lease owner at the lease owner's post office

address of record;

(11) provide that whenever the owner of any producing lease fails to comply with any of the provisions of this title, or of any applicable provision of Federal or State environmental law, or of the lease, or of any regulation issued under this title, such lease may be forfeited and canceled by any appropriate proceeding brought by the Secretary in any United States district court having jurisdiction under the provisions of this title;

(12) provide that cancellation of a lease under this title shall in no way release the owner of the lease from the obligation to provide for reclamation of the lease site;

(13) allow the lessee, at the discretion of the Secretary, to make written relinquishment of all rights under any lease issued pursuant to this title. The Secretary shall accept such relinquishment by the lessee of any lease issued under this title where there has not been surface disturbance on the lands covered by the lease;

(14) provide that for the purpose of conserving the natural resources of any oil or gas pool, field, or like area, or any part thereof, and in order to avoid the unnecessary duplication of facilities, to protect the environment of the Coastal Plain, and to protect correlative rights, the Secretary shall require that, to the greatest extent practicable, lessees unite with each other in collectively adopting and operating under a cooperative or unit plan of development for operation of such pool, field, or like area, or any part thereof, and the Secretary is also authorized and directed to enter into such agreements as are necessary or appropriate for the protection of the United States against drainage;

(15) require that the holder of a lease or leases on lands within the Coastal Plain shall be fully responsible and liable for the reclamation of lands within the Coastal Plain and any other Federal lands adversely affected in connection with exploration, development, production or transportation activities on a lease within the Coastal Plain by the holder of a lease or as a result of activities conducted on the lease by any of the leaseholder's subcontractors or agents;

(16) provide that the holder of a lease may not delegate or convey, by contract or otherwise, the reclamation responsibility and liability to another party without the express written approval of the Secretary;

(17) provide that the standard of reclamation for lands required to be reclaimed under this title be, as nearly as practicable, a condition capable of supporting the uses which the lands were capable of supporting prior to any exploration, development, or production activities, or upon application by the lessee, to a higher or better use as approved by the Secretary;

(18) contain the terms and conditions relating to protection of fish and wildlife, their habitat, and the environment, as required by section 503(a) of this title;

(19) provide that the holder of a lease, its agents, and contractors use best efforts to provide a fair share, as determined by the level of obligation previously agreed to in the 1974 agreement implementing Section 29 of the Federal Agreement and Grant of Right of Way for the Operation of the Trans-Alaska Pipeline, of employment and contracting for Alaska Natives and Alaska Native Corporations from throughout the State;

(20) require project agreements to the extent feasible that will ensure productivity and consistency recognizing a national interest in both labor stability and the ability of construction labor and management to meet the particular needs and conditions of projects to be developed under leases issued pursuant to this Act; and

(21) contain such other provisions as the Secretary determines necessary to ensure compliance with the provisions of this title and the regulations issued under this title.

SEC. 509. BONDING REQUIREMENTS TO ENSURE FINANCIAL RESPONSIBILITY OF LESSEE AND AVOID FEDERAL LIABILITY.

(a) REQUIREMENT.—The Secretary shall, by rule or regulation, establish such standards as may be necessary to ensure that an adequate bond, surety, or other financial arrangement will be established prior to the commencement of surface disturbing activities on any lease, to ensure the complete and timely reclamation of the lease tract, and the restoration of any lands or surface waters adversely affected by lease operations after the abandonment or cessation of oil and gas operations on the lease. Such bond, surety, or financial arrangement is in addition to, and not in lieu, of any bond, surety, or financial arrangement required by any other regulatory authority or required by any other provision of law.

(b)

AMOUNT.—The bond, surety, or financial arrangement shall be in an amount—

(1) to be determined by the Secretary to provide for reclamation of the lease site in accordance with an approved or revised exploration or development and production plan; plus

(2) set by the Secretary consistent with the type of operations proposed, to provide the means for rapid and effective cleanup, and to minimize damages resulting from an oil spill, the escape of gas, refuse, domestic wastewater, hazardous or toxic substances, or fire caused by oil and gas activities.

(c) ADJUSTMENT.—

In the event that an approved exploration or development and production plan is revised, the Secretary may

adjust the amount of the bond, surety, or other financial arrangement to conform to such modified plan.

(d) DURATION.—The responsibility and liability of the lessee and its surety under the bond, surety, or other financial arrangement shall continue until such time as the Secretary determines that there has been compliance with the terms and conditions of the lease and all applicable law.

(e) TERMINATION.—Within sixty days after determining that there has been compliance with the terms and conditions of the lease and all applicable laws, the Secretary, after consultation with affected Federal and State agencies, shall notify the lessee that the period of liability under the bond, surety, or other financial arrangement has been terminated.

SEC. 510.

OIL AND GAS INFORMATION.

(a) IN GENERAL.—

(1) Any lessee or permittee conducting any exploration for, or development or production of, oil or gas pursuant to this title shall provide the Secretary access to all data and information from any lease granted pursuant to this title (including processed and analyzed) obtained from such activity and shall provide copies of such data and information as the Secretary may request. Such data and information shall be provided in accordance with regulations which the Secretary shall prescribe.

(2) If processed and analyzed information provided pursuant to paragraph (1) is provided in good faith by the lessee or permittee, such lessee or permittee shall not be responsible for any consequence of the use or of reliance upon such processed and analyzed information.

(3) Whenever any data or information is provided to the Secretary, pursuant to paragraph (1)—

(A) by a lessee or permittee, in the form and manner of processing which is utilized by such lessee or permittee in the normal conduct of business, the Secretary shall pay the reasonable cost of reproducing such data and information; or

(B) by a lessee or permittee, in such other form and manner of processing as the Secretary may request, the Secretary shall pay the reasonable cost of processing and reproducing such data and information.

(b) REGULATIONS.—

The Secretary shall prescribe regulations to: (1) assure that the confidentiality of privileged or proprietary information received by the Secretary under this section will be maintained; and (2) set forth the time periods and conditions which shall be applicable to the release of such information.

SEC. 511.

EXPEDITED JUDICIAL REVIEW.

(a) Any complaint seeking judicial review of any provision in this title, or any other action of the Secretary under this title may be filed in any appropriate district court of the United States, and such complaint must be filed within ninety days from the date of the action being challenged, or after such date if such complaint is based solely on grounds arising after such ninetieth day, in which case the complaint must be filed within ninety days after the complainant knew or reasonably should have known of the grounds for the complaint: *Provided*, That any complaint seeking judicial review of an action of the Secretary in promulgating any regulation under this title may be filed only in the United States Court of Appeals for the District of Columbia.

(b) Actions of the Secretary with respect to which review could have been obtained under this section shall not be subject to judicial review in any civil or criminal proceeding for enforcement.

SEC. 512.

RIGHTS-OF-WAY ACROSS THE COASTAL PLAIN.

Notwithstanding Title XI of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3161 et seq.), the Secretary is authorized and directed to grant, in accordance with the provisions of Section 28(c) through (t) and (v) through (y) of the Mineral Leasing Act of 1920 (30 U.S.C. 185), rights-of-way and easements across the Coastal Plain for the transportation of oil and gas under such terms and conditions as may be necessary so as not to result in a significant adverse effect on the fish and wildlife, subsistence resources, their habitat, and the environment of the Coastal Plain. Such terms and conditions shall include requirements that facilities be sited or modified so as to avoid unnecessary duplication of roads and pipelines. The regulations issued as required by section 504 of this title shall include provisions granting rights-of-way and easements across the Coastal Plain.

SEC. 513. ENFORCEMENT OF SAFETY AND ENVIRONMENTAL REGULATIONS TO ENSURE COMPLIANCE WITH TERMS AND CONDITIONS OF LEASE.

(a) **RESPONSIBILITY OF THE SECRETARY.**—The Secretary shall diligently enforce all regulations, lease terms, conditions, restrictions, prohibitions, and stipulations promulgated pursuant to this title.

(b) **RESPONSIBILITY OF HOLDERS OF LEASE.**—It shall be the responsibility of any holder of a lease under this title to—

(1) maintain all operations within such lease area in compliance with regulations intended to protect persons and property on, and fish and wildlife, their habitat, subsistence resources, and the environment of, the Coastal Plain; and

(2) allow prompt access at the site of any operations subject to regulation under this title to any appropriate Federal or State inspector, and to provide such documents and records which are pertinent to occupational or public health, safety, or environmental protection, as may be requested.

(c) **ON-SITE INSPECTION.**—

The Secretary shall promulgate regulations to provide for—

(1) scheduled onsite inspection by the Secretary, at least twice a year, of each facility on the Coastal Plain which is subject to any environmental or safety regulation promulgated pursuant to this title or conditions contained in any lease issued pursuant to this title to assure compliance with such environmental or safety regulations or conditions; and

(2) periodic onsite inspection by the Secretary at least once a year without advance notice to the operator of such facility to assure compliance with all environmental or safety regulations.

SEC. 514.

NEW REVENUES.

Notwithstanding any other provision of law, all revenues received by the Federal Government from competitive bids, sales, bonuses, royalties, rents, fees, or interest derived from the leasing of oil and gas within the Coastal Plain shall be deposited into the Treasury of the United States, solely as provided in this section. The Secretary of the Treasury shall pay to the State of Alaska the same percentage of such revenues as is set forth under the heading “EXPLORATION OF NATIONAL PETROLEUM RESERVE IN ALASKA” in Public Law 96-514 (94 Stat. 2957, 2964) semiannually to the State of Alaska, on March 30 and Sep-

tember 30 of each year and shall deposit the balance of all such revenues as miscellaneous receipts in the Treasury.

TITLE VI—IMPROVEMENTS TO FEDERAL OIL AND GAS LEASE MANAGEMENT SEC.

601.TITLE.

This title may be cited as the “Federal Oil and Gas Lease Management Improvement Act of 2000”.

SEC. 602.

DEFINITIONS.

In this title—

(a) **APPLICATION FOR A PERMIT TO DRILL.**—The term ‘application for a permit to drill’ means a drilling plan including design, mechanical, and engineering aspects for drilling a well.

(b)

FEDERAL LAND.—

(1)

IN GENERAL.—The term ‘Federal land’ means all land and interests in land owned by the United States that are subject to the mineral leasing laws, including mineral resources or mineral estates reserved to the United States in the conveyance of a surface or nonmineral estate.

(2)

EXCLUSION.—The term ‘Federal land’ does not include—

(i) Indian land (as defined in section 3 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1702)); or

(ii) submerged land on the Outer Continental Shelf (as defined in section 2 of the Outer Continental Shelf Lands Act (43 U.S.C. 1331)).

(c)

OIL AND GAS CONSERVATION AUTHORITY.—The term ‘oil and gas conservation authority’ means the agency or agencies in each State responsible for regulating for conservation purposes operations to explore for and produce oil and natural gas.

(d) **PROJECT.**—The term ‘project’ means an activity by a lessee, an operator, or an operating rights owner to explore for, develop, produce, or transport oil or gas resources.

(e)

SECRETARY.—The term ‘Secretary’ means—

- (1) the Secretary of the Interior, with respect to land under the administrative jurisdiction of the Department of the Interior; and
- (2) the Secretary of Agriculture, with respect to land under the administrative jurisdiction of the Department of Agriculture.
- (7)

SURFACE USE PLAN OF OPERATIONS.—The term ‘surface use plan of operations’ means a plan for surface use, disturbance, and reclamation.

SEC. 603. NO PROPERTY RIGHT.

Nothing in this title gives a State a property right or interest in any Federal lease or land.

SUBTITLE A —STATE OPTION TO REGULATE OIL AND GAS LEASE OPERATIONS ON FEDERAL LAND

SEC. 610. TRANSFER OF AUTHORITY.

(a) NOTIFICATION.—Not before the date that is 180 days after the date of enactment of this Act, a State may notify the Secretary of its intent to accept authority for regulation of operations, as described in subparagraphs (A) through (K) of subsection (b)(2), under oil and gas leases on Federal land within the State.

(b)

TRANSFER OF AUTHORITY.—

(1)

IN GENERAL.—Effective 180 days after the Secretary receives the State’s notice, authority for the regulation of oil and gas leasing operations is transferred from the Secretary to the State.

(2) AUTHORITY INCLUDED.—The authority transferred under paragraph (1) includes—

(A) processing and approving applications for permits to drill, subject to surface use agreements and other terms and conditions determined by the Secretary;

(B)

production operations;

(C) well testing;

(D) well completion;

(E) well spacing;

(F) communization;

(G) conversion of a producing well to a water well;

(H)

well abandonment procedures;

(I)

inspections;

(J)

enforcement activities; and

(K) site security.

(c)

RETAINED AUTHORITY.—The Secretary shall —

- (1) retain authority over the issuance of leases and the approval of surface use plans of operations and project-

level environmental analyses; and

- (2) spend appropriated funds to ensure that timely decisions are made respecting oil and gas leasing, taking into consideration multiple uses of Federal land, socioeconomic and environmental impacts, and the results of consultations with State and local government officials.

SEC. 611. ACTIVITY FOLLOWING TRANSFER OF AUTHORITY.

(a) FEDERAL AGENCIES.—Following the transfer of authority, no Federal agency shall exercise the authority formerly held by the Secretary as to oil and gas lease operations and related operations on Federal land.

(b)

STATE AUTHORITY.—

(1)

IN GENERAL.—Following the transfer of authority, each State shall enforce its own oil and gas conservation laws and requirements pertaining to transferred oil and gas lease operations and related operations with due regard to the national interest in the expedited, environmentally sound development of oil and gas resources in a manner consistent with oil and gas conservation principles.

- (2) APPEALS.—Following a transfer of authority under section 610, an appeal of any decision made by a State oil and gas conservation authority shall be made in accordance with State administrative procedures.

(c)

PENDING ENFORCEMENT ACTIONS.—The Secretary may continue to enforce any pending actions respecting acts committed before the date on which authority is transferred to a State under section 610 until those proceedings are concluded.

(d)

PENDING APPLICATIONS.—

(1)

TRANSFER TO STATE.—All applications respecting oil and gas lease operations and related operations on Federal land pending before the Secretary on the date on which authority is transferred under section 610 shall be immediately transferred to the oil and gas conservation authority of the State in which the lease is located.

(2) ACTION BY THE STATE.—The oil and gas conservation authority shall act on the application in accordance with State laws (including regulations) and requirements.

SUBTITLE B—USE OF COST SAVINGS FROM STATE REGULATION

SEC. 621. COMPENSATION FOR COSTS.

(a) IN GENERAL.—Subject to the availability of appropriations, the Secretary shall compensate any State for costs incurred to carry out the authorities transferred under section 610.

(b) PAYMENT SCHEDULE.—Payments shall be made not less frequently than every quarter.

(c) COST BREAKDOWN REPORT.—Each State seeking compensation shall report to the Secretary a cost breakdown for the authorities transferred.

(d)

LIMITATION ON AMOUNT.—

(1) IN GENERAL

.—Compensation to a State may not exceed 50 percent of the Secretary’s allocated cost for oil and gas leasing activities under section 35(b) of the Act of February 25, 1920 (commonly known as the ‘Mineral Leasing Act’) (30 U.S.C. 191(b)) for the State for fiscal year 1997.

(2) ADJUSTMENT.—The Secretary shall adjust the maximum level of cost compensation at least once every 2 years to reflect any increases in the Consumer Price Index (all items, United States city average) as prepared by the Department of Labor, using 1997 as the baseline year.

SEC. 622. EXCLUSION OF COSTS OF PREPARING PLANNING DOCUMENTS AND ANALYSES.

Section 35 of the Act of February 25, 1920 (30 U.S.C. 191(b)) is amended by adding at the end the following:

‘(6) The Secretary shall not include, for the purpose of calculating the deduction under paragraph (1), costs of preparing resource management planning documents and analyses for areas in which mineral leasing is excluded or areas in which the primary activity under review is not mineral leasing and development.’.

SEC. 623. RECEIPT SHARING.

Section 35(b) of the Act of February 25, 1920 (30 U.S.C. 191(b)) is amended by striking ‘paid to States’ and inserting ‘paid to States (other than States that accept a transfer of authority under section 610 of the Federal Oil and Gas Lease Management Act of 2000)’.

SUBTITLE C—STREAMLINING AND COST REDUCTION

SEC. 631. APPLICATIONS.

(a) **LIMITATION ON COST RECOVERY.**—Notwithstanding sections 304 and 504 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1734, 1764) and section 9701 of title 31, United States Code, the Secretary shall not recover the Secretary’s costs with respect to applications and other documents relating to oil and gas leases.

(b)

COMPLETION OF PLANNING DOCUMENTS AND ANALYSES.—

(1) **IN GENERAL.**—

The Secretary shall complete any resource management planning documents and analyses not later than 90 days after receiving any offer, application, or request for which a planning document or analysis is required to be prepared.

(2) **PREPARATION BY APPLICANT OR LESSEE.**—If the Secretary is unable to complete the document or analysis within the time prescribed by paragraph (1), the Secretary shall notify the applicant or lessee of the opportunity to prepare the required document or analysis for the agency’s review and use in decisionmaking.

(c) **REIMBURSEMENT FOR COSTS OF NEPA ANALYSES, DOCUMENTATION, AND STUDIES.**—

If —

(1) adequate funding to enable the Secretary to timely prepare a project-level analysis required under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) with respect to an oil or gas lease is not appropriated; and

(2) the lessee, operator, or operating rights owner voluntarily pays for the cost of the required analysis, documentation, or related study;

the Secretary shall reimburse the lessee, operator, or operating rights owner for its costs through royalty credits attributable to the lease, unit agreement, or project area.

SEC. 632. TIMELY ISSUANCE OF DECISIONS.

(a) IN GENERAL.—The Secretary shall ensure the timely issuance of Federal agency decisions respecting oil and gas leasing and operations on Federal land.

(b)

OFFER TO LEASE.—

(1) DEADLINE.—

The Secretary shall accept or reject an offer to lease not later than 90 days after the filing of the offer.

(2) FAILURE TO MEET DEADLINE.— If an offer is not acted upon within that time, the offer shall be deemed to have been accepted.

(c)

APPLICATION FOR PERMIT TO DRILL.—

(1) DEADLINE.—

The Secretary and a State that has accepted a transfer of authority under section 610 shall approve or disapprove an application for permit to drill not later than 30 days after receiving a complete application.

(2) FAILURE TO MEET DEADLINE.—If the application is not acted on within the time prescribed by paragraph (1), the application shall be deemed to have been approved.

(d) SURFACE USE PLAN OF OPERATIONS.—

The Secretary shall approve or disapprove a surface use plan of operations not later than 30 days after receipt of a complete plan.

(e)

ADMINISTRATIVE APPEALS.—

(1) DEADLINE.—

From the time that a Federal oil and gas lessee or operator files a notice of administrative appeal of a decision or

order of an officer or employee of the Department of the Interior or the Forest Service respecting a Federal oil and gas Federal lease, the Secretary shall have 2 years in which to issue a final decision in the appeal.

(2) **FAILURE TO MEET DEADLINE.**—If no final decision has been issued within the time prescribed by paragraph (1), the appeal shall be deemed to have been granted.

SEC. 633. ELIMINATION OF UNWARRANTED DENIALS AND STAYS.

(a) **IN GENERAL.**—The Secretary shall ensure that unwarranted denials and stays of lease issuance and unwarranted restrictions on lease operations are eliminated from the administration of oil and gas leasing on Federal land.

(b)

LAND DESIGNATED FOR MULTIPLE USE.—

(1) **IN GENERAL.**—Land designated as available for multiple use under Bureau of Land Management resource management plans and Forest Service leasing analyses shall be available for oil and gas leasing without lease stipulations more stringent than restrictions on surface use and operations imposed under the laws (including regulations) of the State oil and gas conservation authority unless the Secretary includes in the decision approving the management plan or leasing analysis a written explanation why more stringent stipulations are warranted.

(2) **APPEAL.**—Any decision to require a more stringent stipulation shall be administratively appealable and, following a final agency decision, shall be subject to judicial review.

(c)

REJECTION OF OFFER TO LEASE.—

(1) **IN GENERAL.**—If the Secretary rejects an offer to lease on the ground that the land is unavailable for leasing, the Secretary shall provide a written, detailed explanation of the reasons the land is unavailable for leasing.

(2) **PREVIOUS RESOURCE MANAGEMENT DECISION.**—If the determination of unavailability is based on a previous resource management decision, the explanation shall include a careful assessment of whether the reasons underlying the previous decision are still persuasive.

(3) **SEGREGATION OF AVAILABLE LAND FROM UNAVAILABLE LAND.**—The Secretary may not reject an offer to lease land available for leasing on the ground that the offer includes

land unavailable for leasing, and the Secretary shall segregate available land from unavailable land, on the offeror's request following notice by the Secretary, before acting on the offer to lease.

(d) **DISAPPROVAL OR REQUIRED MODIFICATION OF SURFACE USE PLANS OF OPERATIONS AND APPLICATION FOR PERMIT TO DRILL.**—The Secretary shall provide a written, detailed explanation of the reasons for disapproving or requiring modifications of any surface use plan of operations or application for permit to drill.

(e) **EFFECTIVENESS OF DECISION.**—A decision of the Secretary respecting an oil and gas lease shall be effective pending administrative appeal to the appropriate office within the Department of the Interior or the Department of Agriculture unless that office grants a stay in response to a petition satisfying the criteria for a stay established by section 4.21(b) of title 43, Code of Federal Regulations (or any successor regulation).

SEC. 634. REPORTS.

(a) **IN GENERAL.**—Not later than March 31, 2001, the Secretaries shall jointly submit to the Congress a report explaining the most efficient means of eliminating overlapping jurisdiction, duplication of effort, and inconsistent policymaking and policy implementation as between the Bureau of Land Management and the Forest Service.

(b) **RECOMMENDATIONS.**—The report shall include recommendations on statutory changes needed to implement the report's conclusions.

SEC. 635. SCIENTIFIC INVENTORY OF OIL AND GAS RESERVES.

(a) **IN GENERAL.**—Not later than March 31, 2001, the Secretary of the Interior, in consultation with the Director of the United States Geological Survey, shall publish, through notice in the Federal Register, a science-based national inventory of the oil and gas reserves and potential resources underlying Federal land and the Outer Continental Shelf.

(b)

CONTENTS.—The inventory shall—

(1) indicate what percentage of the oil and gas reserves and resources is currently available for leasing and development; and

(2)

specify the percentages of the reserves and resources that are on—

(A) land that is open for leasing as of the date of enactment of this Act that has never been leased;

(B) land that is open for leasing or development subject to no surface occupancy stipulations; and

(C) land that is open for leasing or development subject to other lease stipulations that have significantly impeded or prevented, or are likely to significantly impede or prevent, development; and

(3) indicate the percentage of oil and gas resources that are not available for leasing or are withdrawn from leasing.

(c)

PUBLIC COMMENT.—

(1) **IN GENERAL.**—The Secretary of the Interior shall invite public comment on the inventory to be filed not later than September 30, 2001.

(2) **RESOURCE MANAGEMENT DECISIONS.**—Specifically, the Secretary of the Interior shall invite public comment on the effect of Federal resource management decisions on past and future oil and gas development.

(d)

REPORT.—

(1) **IN GENERAL.**—Not later than March 31, 2002, the Secretary of the Interior shall submit to the President of the Senate and the Speaker of the House of Representatives a report comprised of the revised inventory and responses to the public comments.

(2) **CONTENTS.**—The report shall specifically indicate what steps the Secretaries believe are necessary to increase the percentage of land open for development of oil and gas resources.

SUBTITLE D—FEDERAL ROYALTY CERTAINTY

SEC. 641. DEFINITIONS.

In this subtitle.—

(a) **MARKETABLE CONDITION.**— The term ‘marketable condition’ means lease production that is sufficiently free from impurities and otherwise in a condition that the production will be accepted by a purchaser under a sales contract typical for the field or area.

(b)

REASONABLE COMMERCIAL RATE.—

(1)

IN GENERAL.—The term ‘reasonable commercial rate’ means—

(A) in the case of an arm’s-length contract, the actual cost incurred by the lessee; or

(B)

in the case of a non-arm’s-length contract—

(i) the rate charged in a contract for similar services in the same area between parties with opposing economic interests; or

(ii) if there are no arm’s-length contracts for similar services in the same area, the just and reasonable rate for the transportation service rendered by the lessee or lessee’s affiliate.

(2) DISPUTES.—Disputes between the Secretary and a lessee over what constitutes a just and reasonable rate for such service shall be resolved by the Federal Energy Regulatory Commission.

SEC. 642. AMENDMENT OF OUTER CONTINENTAL SHELF LANDS ACT.

Section 8(b)(3) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(b)(3)) is amended by striking the semicolon at the end and adding the following:

‘*Provided:* That if the payment is in value or amount, the royalty due in value shall be based on the value of oil or gas production at the lease in marketable condition, and the royalty due in amount shall be based on the royalty share of production at the lease; if the payment in value or amount is calculated from a point away from the lease, the payment shall be adjusted for quality and location differentials, and the lessee shall be allowed reimbursements at a reasonable commercial rate for transportation (including transportation to the point where the production is put in marketable condition), marketing, processing, and other services beyond the lease through the point of sale, other disposition, or delivery;’.

SEC. 643. AMENDMENT OF MINERAL LEASING ACT.

Section 17(c) of the Act of February 25, 1920 (30 U.S.C. 226(c)) (commonly known as the ‘Mineral Leasing Act’), is amended by adding at the end the following:

‘(3)

ROYALTY DUE IN VALUE.—

‘(A) IN GENERAL.—Royalty due in value shall be based on the value of oil or gas production at the lease in marketable condition, and the royalty due in amount shall be based on the royalty share of production at the lease.

‘(B) CALCULATION OF VALUE OR AMOUNT FROM A POINT AWAY FROM A LEASE.—If the payment in value or amount is calculated from a point away from the lease —

‘(i) the payment shall be adjusted for quality and location differentials; and

‘(ii) the lessee shall be allowed reimbursements at a reasonable commercial rate for transportation (including transportation to the point where the production is put in marketable condition), marketing, processing, and other services beyond the lease through the point of sale, other disposition, or delivery;’.

SEC. 644. INDIAN LAND.

This subtitle shall not apply with respect to Indian land.

SUBTITLE E—ROYALTY REINVESTMENT IN AMERICA

SEC. 651. ROYALTY INCENTIVE PROGRAM.

(a) IN GENERAL.—To encourage exploration and development expenditures on Federal land and the Outer Continental Shelf for the development of oil and gas resources when the cash price of West Texas Intermediate crude oil, as posted on the Dow Jones Commodities Index chart is less than \$18 per barrel for 90 consecutive pricing days or when natural gas prices as delivered at Henry Hub, Louisiana, are less than \$2.30 per million British thermal units for 90 consecutive days, the Secretary shall allow a credit against the payment of royalties on Federal oil production and gas production, respectively, in an amount equal to 20 percent of the capital expenditures made on exploration and development activities on Federal oil and gas leases.

(b) NO CREDITING AGAINST ONSHORE FEDERAL ROYALTY OBLIGATIONS.—In no case shall such capital expenditures made on Outer Continental Shelf leases be credited against onshore Federal royalty obligations.

SEC. 652. MARGINAL WELL PRODUCTION INCENTIVES.

To enhance the economics of marginal oil and gas production by increasing the ultimate recovery from marginal wells when the cash price of West Texas Intermediate crude oil, as posted on the Dow Jones Commodities Index chart is less than \$18 per barrel for 90 consecutive pricing days or when natural gas prices are delivered at Henry Hub, Louisiana, are less than \$2.30 per million British thermal units for 90 consecutive days, the Secretary shall reduce the royalty rate as production declines for—

(1)

onshore oil wells producing less than 30 barrels per day;

(2)

onshore gas wells producing less than 120 million British thermal units per day;

(3)

offshore oil well producing less than 300 barrels of oil per day; and

(4)

offshore gas wells producing less than 1,200 million British thermal units per day.

SEC. 653. SUSPENSION OF PRODUCTION ON OIL AND GAS OPERATIONS.

(a) IN GENERAL.—Any person operating an oil well under a lease issued under the Act of February 25, 1920 (commonly known as the ‘Mineral Leasing Act’) (30 U.S.C. 181 et seq.) or the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351 et seq.) may submit a notice to the Secretary of the Interior of suspension of operation and production at the well.

(b) PRODUCTION QUANTITIES NOT A FACTOR.—A notice under subsection (a) may be submitted without regard to per day production quantities at the well and without regard to the requirements of subsection (a) of section 3103.4-4 of title 43 of the Code of Federal Regulations (or any successor regulation) respecting the granting of such relief, except that the notice shall be submitted to an office in the Department of the Interior designated by the Secretary of the Interior.

(c) PERIOD OF RELIEF.—On submission of a notice under subsection (a) for an oil well, the operator of the well may suspend operation and production at the well for a period beginning on the date of submission of the notice and ending on the later of—

(1) the date that is 2 years after the date on which the suspension of operation and production commences; or

(2) the date on which the cash price of West Texas Intermediate crude oil, as posted on the Dow Jones Commodities Index chart is greater than \$15 per barrel for 90 consecutive pricing days.

TITLE VII—FRONTIER OIL AND GAS EXPLORATION AND DEVELOPMENT INCENTIVES

SEC. 701. TITLE.

This title may be cited as the “Frontier Exploration and Development Incentives Act of 2000”.

SEC. 702. AMENDMENTS TO THE OUTER CONTINENTAL SHELF LANDS ACT.

(a) Section 8(a)(1)(D) of the Outer Continental Shelf Lands Act, (43 U.S.C. 1337(a)(1)(D)) is

amended by striking the word “area;” and inserting in lieu thereof the word “area,” and the following new text:

“except in the Arctic areas of Alaska, where the Secretary is authorized to set the net profit share at 16 and 2/3 percent. For purposes of this section, ‘Arctic areas’ means the Beaufort Sea and Chukchi Sea Planning Areas of Alaska.”

(b) Section 8(a) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(a)) is amended by adding a new subparagraph (10) at the end thereof:

“(10) After an oil and gas lease is granted pursuant to any of the bidding systems of paragraph (1) of this subsection, the Secretary shall reduce any future royalty or rental obligation of the lessee on any lease issued by the Secretary (and proposed by the lessee for such reduction) by an amount equal to (a) 10 percent of the qualified costs of exploratory wells drilled or geophysical work performed on any lease issued by the Secretary, whichever is greater, pursuant to this Act in Arctic areas and (b) an additional 10 percent of the qualified costs of any such exploratory wells which are located ten or more miles from another well drilled for oil and gas. For purposes of this Act—

‘qualified costs’ shall mean the costs allocated to the exploratory well or geophysical work in support of an exploration program pursuant to 26 U.S.C. as amended;

‘exploratory well’ shall mean either an exploratory well as defined by the United States Securities and Exchange Commission in 17 C.F.R. 210.4-10(a)(10), as amended, or a well three or more miles from any oil or gas well or a pipeline which transports oil or gas to a market or terminal;

‘geophysical work’ shall mean all geophysical data gathering methods used in hydrocarbon exploration and includes seismic, gravity, magnetic, and electromagnetic measurements; and,

all distances shall be measured in horizontal distance. When a measurement beginning or ending point is a well, the measurement point shall be the bottom hole location of that well.”

TITLE VIII—TAX MEASURES TO ENHANCE DOMESTIC OIL AND GAS PRODUCTION

SUBTITLE A—MARGINAL WELL PRESERVATION

SEC. 801.

SHORT TITLE; PURPOSE; AMENDMENT OF 1986 CODE.

(a)

This subtitle may be cited as the ‘Marginal Well Preservation Act of 2000.’

(b) The purpose of section 802 is to prevent the abandonment of marginal oil and gas wells respon-

sible for half of the domestic production of oil and gas in the United States and of section 803 is to recognize that geological and geophysical expenditures and delay rentals are ordinary and necessary business expenses that should be deducted in the year the expense is incurred.

(c) Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 802. TAX CREDIT FOR MARGINAL DOMESTIC OIL AND NATURAL GAS WELL PRODUCTION.

(a) Subpart D of part IV of subchapter A of chapter 1 (relating to business credits) is amended by adding at the end the following new section:

“SEC. 45D.

CREDIT FOR PRODUCING OIL AND GAS FROM MARGINAL WELLS.

“(a) GENERAL RULE.—For purposes of section 38, the marginal well production credit for any taxable year is an amount equal to the product of—

“(1)

the credit amount, and

“(2) the qualified crude oil production and the qualified natural gas production which is attributable to the taxpayer.

“(b)

CREDIT AMOUNT.—For purposes of this section—

“(1)

In General.—The credit amount is—

“(A)

\$3 per barrel of qualified crude oil production, and

“(B) 50 cents per 1,000 cubic feet of qualified natural gas production.

“(2)

Reduction as Oil and Gas Prices Increase.—

“(A) In General.—

The \$3 and 50 cents amounts under paragraph (1) shall each be reduced (but not below zero) by an amount

which bears the same ratio to such amount (determined without regard to this paragraph) as—

“(i) the excess (if any) of the applicable reference price over \$14 (\$1.56 for qualified natural gas production), bears to

“(ii)

\$3 (\$0.33 for qualified natural gas production).

The applicable reference price for a taxable year is the reference price for the calendar year preceding the calendar year in which the taxable year begins.

“(B) Inflation Adjustment.—In the case of any taxable year beginning in a calendar year after 2000, each of the dollar amounts contained in subparagraph (A) shall be increased to an amount equal to such dollar amount multiplied by the inflation adjustment factor for such calendar year (determined under section 43(b)(3)(B) by substituting ‘1999’ for ‘1990’).

“(C) Reference Price.—For purposes of this paragraph, the term ‘reference price’ means, with respect to any calendar year—

“(i) in the case of qualified crude oil production, the reference price determined under section 29(d)(2)(C), and

“(ii) in the case of qualified natural gas production, the Secretary’s estimate of the annual average wellhead price per 1,000 cubic feet for all domestic natural gas.

“(c) QUALIFIED CRUDE OIL AND NATURAL GAS PRODUCTION.—

For purposes of this section—

“(1) In General.—

The terms ‘qualified crude oil production’ and ‘qualified natural gas production’ mean domestic crude oil or natural gas which is produced from a marginal well.

“(2)

Limitation on Amount of Production which may Qualify.—

“(A) In General.—

Crude oil or natural gas produced during any taxable year from any well shall not be treated as qualified crude oil production or qualified natural gas production to the extent production from the well during the taxable year exceeds 1,095 barrels or barrel equivalents.

“(B)

Proportionate Reductions.—

“(i) Short Taxable Years.—

In the case of a short taxable year, the limitations under this paragraph shall be proportionately reduced to reflect the ratio which the number of days in such taxable year bears to 365.

“(ii) Wells Not in Production Entire Year.—

In the case of a well which is not capable of production during each day of a taxable year, the limitations under this paragraph applicable to the well shall be proportionately reduced to reflect the ratio which the number of days of production bears to the total number of days in the taxable year.

“(3) Definitions.—

“(A) Marginal Well.—

The term ‘marginal well’ means a domestic well—

“(i) the production from which during the taxable year is treated as marginal production under section 613A(c)(6), or

“(ii)

which, during the taxable year—

“(I) has average daily production of not more than 25 barrel equivalents, and

“(II) produces water at a rate not less than 95 percent of total well effluent.

“(B) Crude Oil, etc.—

The terms ‘crude oil’, ‘natural gas’, ‘domestic’, and ‘barrel’ have the meanings given such terms by section 613A(e).

“(C) Barrel equivalent.—The term ‘barrel equivalent’ means, with respect to natural gas, a conversion ratio of 6,000 cubic feet of natural gas to 1 barrel of crude oil.

“(d) OTHER RULES.—

“(1) Production Attributable to the Taxpayer.—

In the case of a marginal well in which there is more than one owner of operating interests in the well and the crude oil or natural gas production exceeds the limitation under subsection (c)(2), qualifying crude oil production or qualifying natural gas production attributable to the taxpayer shall be determined on the basis of the ratio which taxpayer’s revenue interest in the production bears to

the aggregate of the revenue interests of all operating interest owners in the production.

“(2) Operating Interest Required.—Any credit under this section may be claimed only on production which is attributable to the holder of an operating interest.

“(3) Production from nonconventional sources excluded.—In the case of production from a marginal well which is eligible for the credit allowed under section 29 for the taxable year, no credit shall be allowable under this section unless the taxpayer elects not to claim the credit under section 29 with respect to the well.”

(b) CREDIT TREATED AS BUSINESS CREDIT.—

Section 38(b) is amended by striking ‘plus’ at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting ‘, plus’, and by adding at the end the following new paragraph—

“(13)

the marginal oil and gas well production credit determined under section 45D(a).”

(c) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) In General.—

Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph—

“(3)

Special Rules for Marginal Oil and Gas Well Production Credit.—

“(A) In General.—In the case of the marginal oil and gas well production credit—

“(i) this section and section 39 shall be applied separately with respect to the credit, and

“(ii)

in applying paragraph (1) to the credit—

“(I) subparagraphs (A) and (B) thereof shall not apply, and

“(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the marginal oil and gas well production credit).

“(B) Marginal Oil and Gas Well Production Credit.—For purposes of this subsection, the term ‘marginal oil and gas well production credit’ means the credit allowable under subsection (a) by reason of section 45D(a).”

(2) Conforming Amendment.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting “or the marginal oil and gas well production credit” after “employment credit”.

(d) CARRYBACK.—Subsection (a) of section 39 (relating to carryback and carryforward of unused credits generally) is amended by adding at the end the following new paragraph—

“(3) 10-Year Carryback For Marginal Oil and Gas Well Production Credit.—In the case of the marginal oil and gas well production credit—

“(A) this section shall be applied separately from the business credit (other than the marginal oil and gas well production credit),

“(B) paragraph (1) shall be applied by substituting ‘10 taxable years’ for ‘1 taxable years’ in subparagraph (A) thereof, and

“(C)

paragraph (2) shall be applied—

“(i) by substituting ‘31 taxable years’ for ‘21 taxable years’ in subparagraph (A) thereof, and

“(ii) by substituting ‘30 taxable years’ for ‘20 taxable years’ in subparagraph (B) thereof.”

(e) COORDINATION WITH SECTION 29.—Section 29(a) is amended by striking “There” and inserting “At the election of the taxpayer, there”.

(f) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following item:

“SEC. 45D. CREDIT FOR PRODUCING OIL AND GAS FROM MARGINAL WELLS.”

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to production in taxable years beginning after December 31, 1999.

SEC. 803. ELECTION TO EXPENSE GEOLOGICAL AND GEOPHYSICAL EXPENDITURES

AND DELAY RENTAL PAYMENTS.

(a) Section 263 (relating to capital expenditures) is amended by adding at the end the following new subsection:

“(j) Geological and Geophysical Expenditures for Oil and Gas Wells:

Notwithstanding subsection (a), a taxpayer may elect to treat geological and geophysical expenses incurred in connection with the exploration for, or development of, oil or gas as expenses which are not chargeable to capital account. Any expenses so treated shall be allowed as a deduction in the taxable year in which paid or incurred.”

(b)

Section 263A(c)(3) is amended by inserting “263(j),” after “263(i),”.

(c)(1) The amendments made by subsections (a) and (b) shall apply to expenses paid or incurred after the date of the enactment of this Act.

(2) In the case of any expenses described in section 263(j) of the Internal Revenue Code of 1986, as added by subsections (a) and (b), which were paid or incurred on or before the date of the enactment of this Act, the taxpayer may elect, at such time and in such manner as the Secretary of the Treasury may prescribe, to amortize the suspended portion of such expenses over the 36-month period beginning with the month in which the date of the enactment of this Act occurs. For purposes of this paragraph, the suspended portion of any expense is that portion of such expense which, as of the first day of the 36-month period, has not been included in the cost of a property or otherwise deducted.

(d) Section 263 (relating to capital expenditures), as amended by subsection (b), is amended by adding at the end the following new subsection—

“(k)

Delay Rental Payments for Domestic Oil and Gas Wells—

“(1) In General.—

Notwithstanding subsection (a), a taxpayer may elect to treat delay rental payments incurred in connection with the development of oil or gas within the United States (as defined in section 638) as payments which are not chargeable to capital account. Any payments so treated shall be allowed as a deduction in the taxable year in which paid or incurred.

“(2) Delay Rental Payments.—For purposes of paragraph (1), the term ‘delay rental

payment’ means an amount paid for the privilege of deferring the drilling of an oil or gas well under an oil or gas lease.”

SUBTITLE B—INDEPENDENT OIL AND GAS PRODUCERS

SEC. 810. 5-YEAR NET OPERATING LOSS CARRYBACK FOR LOSSES ATTRIBUTABLE TO OPERATING MINERAL INTERESTS OF INDEPENDENT OIL AND GAS PRODUCERS.

(a) Paragraph (1) of section 172(b) (relating to years to which loss may be carried) is amended by adding at the end the following new subparagraph—

“(H) LOSSES ON OPERATING MINERAL INTERESTS OF INDEPENDENT OIL AND GAS PRODUCERS.—In the case of a taxpayer—

“(i) which has an eligible oil and gas loss (as defined in subsection (j)) for a taxable year, and

“(ii) which is not an integrated oil company (as defined in section 291(b)(4)), such eligible oil and gas loss shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss.”.

(b) ELIGIBLE OIL AND GAS LOSS.—Section 172 is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection—

“(j)

ELIGIBLE OIL AND GAS LOSS.—For purposes of this section—

“(1)

IN GENERAL.—The term ‘eligible oil and gas loss’ means the lesser of—

“(A) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to operating mineral interests (as defined in section 614(d)) in oil and gas wells are taken into account, or

“(B)

the amount of the net operating loss for such taxable year.

“(2) COORDINATION WITH SUBSECTION (b)(2).—

For purposes of applying subsection (b)(2), an eligible oil and gas loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.

“(3) ELECTION.—Any taxpayer entitled to a 5-year carryback under subsection

(b)(1)(H) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(H).”.

(c) EFFECTIVE DATE.—

The amendments made by this section shall apply to net operating losses for taxable years beginning after December 31, 1998.

SEC. 811. TEMPORARY SUSPENSION OF LIMITATION BASED ON 65 PERCENT OF TAXABLE INCOME.

(a) IN GENERAL.—Subsection (d) of section 613A (relating to limitation on percentage depletion in case of oil and gas wells) is amended by adding at the end the following new paragraph—

“(6) TEMPORARY SUSPENSION OF TAXABLE INCOME LIMIT.—

Paragraph (1) shall not apply to taxable years beginning after December 31, 1998, and before January 1, 2005, including with respect to amounts carried under the second sentence of paragraph (1) to such taxable years.”.

(b) EFFECTIVE DATE.—

The amendment made by this section shall apply to taxable years beginning after December 31, 1998.

**TITLE IX—TAX MEASURES TO ENHANCE THE USE OF RENEWABLE ENERGY SOURCES,
IMPROVE ENERGY EFFICIENCIES, PROTECT CONSUMERS AND CONVERSION TO CLEAN
BURNING FUELS**

SEC. 901. CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE RESOURCES.

(a) EXTENSION AND MODIFICATION OF PLACED-IN-SERVICE RULES.— Paragraph (3) of section 45(c) of the Internal Revenue Code of 1986 is amended to read as follows:

“(3)

QUALIFIED FACILITY.—

“(A) WIND FACILITIES.—In the case of a facility using wind to produce electricity, the term ‘qualified facility’ means any facility owned by the taxpayer which is originally placed in service after December 31, 1993, and before July 1, 2004.

“(B) BIOMASS FACILITIES.—In the case of a facility using biomass to produce electricity, the term ‘qualified facility’ means, with respect to any month, any facility owned, leased, or operated by the taxpayer which is originally placed in service before July 1, 2004, if, for such month—

“(i) biomass comprises not less than 75 percent (on a Btu basis) of the average monthly fuel input of the facility for the taxable year which includes such month, or

“(ii) in the case of a facility principally using coal to produce electricity, biomass comprises not more than 25 percent (on a Btu basis) of the average monthly fuel input of the facility for the taxable year which includes such month.

“(C) SPECIAL RULES.—

“(i) in the case of a qualified facility described in subparagraph (B)(i)—

“(I) the 10-

year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this paragraph, and

“(II) subsection (b)(3) shall not apply to any such facility originally placed in service before January 1, 1997.

“(ii) in the case of a qualified facility described in subparagraph (B)(ii)—

“(I) the 10-

year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this paragraph, and

“(II) the amount of the credit determined under subsection (a) with respect to any project for any taxable year shall be adjusted by multiplying such amount (determined without regard to this clause) by 0.59.”.

(b) CREDIT NOT TO APPLY TO ELECTRICITY SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

Section 45(b) of the Internal Revenue Code of 1986 (relating to limitations and adjustments) is amended by adding at the end the following—

“(4) CREDIT NOT TO APPLY TO ELECTRICITY SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

“(A) IN GENERAL.—

The credit determined under subsection (a) shall not apply to electricity—

“(i) produced at a qualified facility placed in service by the taxpayer after June 30, 1999, and

“(ii) sold to a utility pursuant to a contract originally entered into before January 1, 1987 (whether or not amended or restated after that date).

“(B)

EXCEPTION.—Subparagraph (A) shall not apply if—

“(i) the prices for energy and capacity from such facility are established pursuant to an amendment to the contract referred to in subparagraph (A)(ii);

“(ii) such amendment provides that the prices set forth in the contract which exceed avoided cost prices determined at the time of delivery shall apply only to annual quantities of electricity (prorated for partial years) which do not exceed the greater of—

“(I) the average annual quantity of electricity sold to the utility under the contract during calendar years 1994, 1995, 1996, 1997, and 1998, or

“(II) the estimate of the annual electricity production set forth in the contract, or, if there is no such estimate, the greatest annual quantity of electricity sold to the utility under the contract in any of the calendar years 1996, 1997, or 1998; and

“(iii) such amendment provides that energy and capacity in excess of the limitation in clause (ii) may be—

“(I) sold to the utility only at prices that do not exceed avoided cost prices determined at the time of delivery, or

“(II) sold to a third party subject to a mutually agreed upon advance notice to the utility.

For purposes of this subparagraph, avoided cost prices shall be determined as provided for in 18 CFR 292.304(d)(1) or any successor regulation.”.

(c)

QUALIFIED FACILITIES INCLUDE ALL BIOMASS FACILITIES.—

(1) IN GENERAL.—

Subparagraph (B) of section 45(c)(1) of the Internal Revenue Code of 1986 (defining qualified energy resources) is amended to read as follows—

“(B) biomass.”.

(2) BIOMASS DEFINED.—

Paragraph (2) of section 45(c) of such Code (relating to definitions) is amended to read as follows—

“(2)

BIOMASS.—The term ‘biomass’ means—

“(A) any organic material from a plant which is planted exclusively for purposes of being used at a qualified facility to produce electricity, or

“(B) any solid, nonhazardous, cellulosic waste material which is segregated from other waste materials and which is derived from—

“(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,

“(ii)

poultry waste,

“(iii) urban sources, including waste pallets, crates, and dunnage, manufacturing and construction wood wastes, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage) or paper that is commonly recycled, or

“(iv) agriculture sources, including orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues.”.

(d) EFFECTIVE DATE.—

The amendments made by this section shall apply to electricity produced after the date of the enactment of this Act.

SEC. 902. CERTAIN AMOUNTS RECEIVED BY ELECTRIC ENERGY, GAS, OR STEAM UTILITIES EXCLUDED FROM GROSS INCOME AS CONTRIBUTIONS TO CAPITAL.

(a) Subsection (c) of section 118 of the Internal Revenue Code of 1986 (relating to special rules for water and sewerage disposal utilities) is amended—

(1) in the heading, by striking, “WATER AND SEWERAGE DISPOSAL” and inserting “CERTAIN”,

(2) in paragraph (1)—

(A) in the matter preceding paragraph (1), by striking “water or” and inserting “electric energy, gas (through a local distribution system or transportation by pipeline), steam, water, or” and

(B) in subparagraph (B), by striking “water or” and inserting “electric energy, gas, steam, water, or”,

(3) in paragraph (2)(A)(ii), by striking “water or” and inserting “electric energy, gas, steam, water, or”, and

(4)

in paragraph (3)—

(A) in subparagraph (A), by inserting “such term shall include amounts paid as customer connection fees (including amounts paid to connect the customer’s line to an electric line, a gas main, a steam line, or a main water or sewer line) and” after “except that”, and

(B) in subparagraph (C), by striking “water or” and inserting “electric energy, gas, steam, water, or”.

(b) The amendments made by subsection (a) shall apply to amounts received after the date of the enactment of this Act.

SEC. 903. EXTENSION OF CREDIT FOR ELECTRICITY PRODUCED FROM STEEL COGENERATION.

(a) EXTENSION OF CREDIT FOR COKE PRODUCTION AND STEEL MANUFACTURING FACILITIES.—Section 45(c)(1) (defining qualified energy resources) is amended by striking “and” at the end of the next to last subparagraph, by striking the period at the end of the last subparagraph and inserting “, and”, and by adding at the end the following new subparagraph—

“() steel cogeneration.”

(b) STEEL COGENERATION.—

Section 45(c) is amended by adding at the end the following—

“() Steel cogeneration. The term ‘steel cogeneration’ means the production of steam or other form of thermal energy of at least 20 percent of total production and the production of electricity or mechanical energy (or both) of at least 20 percent of total production (meaning production from all waste sources in subparagraphs (A) (B) and (C) from the entire facility that produces coke, iron ore, iron, or steel), provided that the cogeneration meets any regulatory energy-efficiency standards established by the Secretary, and only to the extent that such energy is produced from—

“(A)

gases or heat generated during the production of coke,

“(B) blast furnace gases or heat generated during the production of iron ore or iron, or

“(C) waste gases or heat generated from the manufacture of steel that uses at least 20 percent recycled material.”

(c) MODIFICATION OF PLACED IN SERVICE RULES FOR STEEL COGENERATION FACILITIES.—

Section 45(c)(3) (defining qualified facility) is amended by adding at the end the following—

“() Steel cogeneration facilities. In the case of a facility using steel cogeneration to produce electricity, the term ‘qualified facility’ means any facility permitted to operate under the environmental requirements of the Clean Air Act Amendments of 1990 which is owned by the taxpayer and originally placed in service after December 31, 1999, and before January 1, 2005. Such a facility may be treated as originally placed in service when such facility was last upgraded to increase efficiency or generation capability. However, no facility shall be allowed a credit for more than 10 years of production.”.

(d) CONFORMING AMENDMENTS.—

(1) The heading for section 45 is amended by inserting “and waste energy” after “renewable”.

(2) The item relating to section 45 in the table of sections subpart D of part IV of subchapter A of chapter 1 is amended by inserting “and waste energy” after “renewable”.

(e) EFFECTIVE DATE.—

The amendments made by this section shall take effect for taxable years beginning after December 31, 2001 and before January 1, 2005.

SEC. 904.

FULL EXPENSING OF HOME HEATING OIL STORAGE FACILITIES.

(a) IN GENERAL.—Section 179(b) of the Internal Revenue Code of 1986 (relating to limitations) is amended by adding at the end the following —

“(5) FULL EXPENSING OF HOME HEATING OIL STORAGE FACILITIES.—Paragraphs (1) and (2) shall not apply to section 179 property which is any storage facility (not including a building

or its structural components) used in connection with the distribution of home heating oil.”

(b) EFFECTIVE DATE.—

The amendment made by this section shall apply to property placed in service in taxable years beginning after the date of the enactment of this Act.”

SEC. 905.

Residential Solar Energy Tax Credit.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section—

“SEC. 25B.—RESIDENTIAL SOLAR ENERGY PROPERTY.

“(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

“(1) 15 percent of the qualified photovoltaic property expenditures made by the taxpayer during such year, and

“(2) 15 percent of the qualified solar water heating property expenditures made by the taxpayer during the taxable year.

“(b) LIMITATIONS.—

“(1) MAXIMUM CREDIT.—The credit allowed under subsection (a)(2) shall not exceed \$2,000 for each system of solar energy property.

“(2) TYPE OF PROPERTY.—No expenditure may be taken into account under this section unless such expenditure is made by the taxpayer for property installed on or in connection with a dwelling unit which is located in the United States and which is used as a residence.

“(3) SAFETY CERTIFICATIONS.—No credit shall be allowed under this section for an item of property unless—

“(A) in the case of solar water heating equipment, such equipment is certified for performance and safety by the non-profit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the State in which such property is installed, and

“(B) in the case of a photovoltaic system, such system meets appropriate fire and electric code requirements.

“(c) DEFINITIONS.—For purposes of this section—

“(1) QUALIFIED SOLAR WATER HEATING PROPERTY EXPENDITURE.—The term ‘qualified solar water heating property expenditure’ means an expenditure for property that uses solar energy to heat water for use in a dwelling unit with respect to which a majority of the energy is derived from the sun.

“(2) QUALIFIED PHOTOVOLTAIC PROPERTY EXPENDITURE.—The term ‘qualified photovoltaic property expenditure’ means an expenditure for property that uses solar energy to generate electricity for use in a dwelling unit.

“(3) SOLAR PANELS.—No expenditure relating to a solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as property described in paragraph (1) or (2) solely because it constitutes a structural component of the structure on which it is installed.

“(4) LABOR COSTS.—Expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property described in paragraph (1) or (2) and for piping or wiring to interconnect such property to the dwelling unit shall be taken into account for purposes of this section.

“(5) SWIMMING POOLS, ETC., USED AS STORAGE MEDIUM.— Expenditures which are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage shall not be taken into account for purposes of this section.

“(d)

SPECIAL RULES.For purposes of this section—

“(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which is jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply—

“(A) The amount of the credit allowable under subsection (a) by reason of expenditures (as the case may be) made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

“(B) There shall be allowable with respect to such expenditures to each of such indi-

viduals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

“(2) TENANT-

STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder’s proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation.

“(3)

CONDOMINIUMS.—

“(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which he owns, such individual shall be treated as having made his proportionate share of any expenditures of such association.

“(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term ‘condominium management association’ means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

“(4)

JOINT OWNERSHIP OF ITEMS OF SOLAR ENERGY PROPERTY.—

“(A) IN GENERAL.—Any expenditure otherwise qualifying as an expenditure described in paragraph (1) or (2) of subsection (c) shall not be treated as failing to so qualify merely because such expenditure was made with respect to 2 or more dwelling units.

“(B) LIMITS APPLIED SEPARATELY.—In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

“(5) ALLOCATION IN CERTAIN CASES.—If less than 80 percent of the use of an item is for nonbusiness residential purposes, only that portion of the expenditures for such item

which is properly allocable to use for nonbusiness residential purposes shall be taken into account. For purposes of this paragraph, use for a swimming pool shall be treated as use which is not for residential purposes.

“(6)

WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

“(B) EXPENDITURES PART OF BUILDING CONSTRUCTION.— In the case of an expenditure in connection with the construction or reconstruction of a structure, such expenditure shall be treated as made when the original use of the constructed or reconstructed structure by the taxpayer begins.

“(C) AMOUNT.—The amount of any expenditure shall be the cost thereof.

“(e) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.”.

(b)

CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 1016 of such Code is amended by striking ‘and’ at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting “; and”, and by adding at the end the following new paragraph:

“(28) to the extent provided in section 25B(e), in the case of amounts with respect to which a credit has been allowed under section 25B.”.

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 25A the following new item—

“Sec. 25B. Residential solar energy property.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1999 and before December 31, 2004.

